Government of Canada Gouvernement du Canada

Department of Finance Canada

Canada

The Fiscal Monitor
A publication of the Department of Finance

Highlights

November 2016: budgetary deficit of $3.3 billion

There was a budgetary deficit of $3.3 billion in November 2016, compared to a surplus of $0.4 billion in November 2015. Revenues decreased by $1.7 billion, or 7.2 per cent, mainly reflecting lower personal and corporate income tax revenues. Program expenses increased by $2.0 billion, or 9.3 per cent, reflecting increases in major transfers to persons and other levels of government and direct program expenses. Public debt charges decreased by $8 million, or 0.4 per cent.

April to November 2016: budgetary deficit of $12.7 billion

For the April to November 2016 period of the 2016–17 fiscal year, the Government posted a budgetary deficit of $12.7 billion, compared to a surplus of $1.0 billion reported in the same period of 2015–16. Revenues were down $1.1 billion, or 0.6 per cent, mainly reflecting a decrease in other revenues. Program expenses were up $14.0 billion, or 8.3 per cent, reflecting increases in major transfers to persons and other levels of government and direct program expenses. Public debt charges were down $1.4 billion, or 8.0 per cent, reflecting a lower average effective interest rate on the stock of interest-bearing debt.

November 2016

There was a budgetary deficit of $3.3 billion in November 2016, compared to a surplus of $0.4 billion in November 2015.

Revenues in November 2016 totalled $22.2 billion, down $1.7 billion, or 7.2 per cent, from November 2015.

- Personal income tax revenues were down $1.3 billion, or 10.4 per cent.
- Corporate income tax revenues were down $0.5 billion, or 13.7 per cent.
- Non-resident income tax revenues were up $28 million, or 5.7 per cent.
- Excise taxes and duties were up $0.1 billion, or 1.9 per cent. Customs import duties and other excise taxes and duties both increased by $0.1 billion while energy taxes increased by $35 million. Goods and Services Tax (GST) revenues decreased by $0.1 billion.
- Employment Insurance (EI) premium revenues were up $9 million, or 0.8 per cent.
- Other revenues, consisting of net profits from enterprise Crown corporations, revenues of consolidated Crown corporations, revenues from sales of goods and services, returns on investments, net foreign exchange revenues and miscellaneous revenues, were down $0.1 billion, or 3.3 per cent.

Program expenses in November 2016 were $23.5 billion, up $2.0 billion, or 9.3 per cent, from November 2015.

- Major transfers to persons, consisting of elderly, EI and children's benefits, increased by $0.5 billion, or 7.8 per cent. Elderly benefits increased by $0.2 billion, or 5.9 per cent, due to growth in the elderly population and changes in consumer prices, to which benefits are fully indexed. EI benefit payments decreased by $0.1 billion, or 7.9 per cent. Children's benefits increased by $0.4 billion, or 29.5 per cent, reflecting the new Canada Child Benefit, which replaced the Canada Child Tax Benefit and the Universal Child Care Benefit as of July 2016.
- Major transfers to other levels of government consist of federal transfers in support of health and other social programs (primarily the Canada Health Transfer and the Canada Social Transfer), fiscal arrangements and other transfers (Equalization, transfers to the territories, as well as a number of smaller transfer programs), transfers to provinces on behalf of Canada's cities and communities, and the Quebec Abatement. Major transfers to other levels of government increased by $0.2 billion, or 4.5 per cent, reflecting legislated growth in the Canada Health Transfer, the Canada Social Transfer, Equalization transfers and transfers to the territories.
- Direct program expenses include transfer payments to individuals and organizations not included in major transfers to persons and other levels of government, and other direct program expenses, which consist of operating expenses of National Defence, other departments and agencies, and expenses of Crown corporations. Direct program expenses were up $1.2 billion, or 13.3 per cent. Within direct program expenses:

- Transfer payments increased by $0.6 billion, or 25.7 per cent, due to year-over-year differences in the timing of payments and increases in transfers across several departments, including claims expenses and infrastructure funding.
- Other direct program expenses increased by $0.6 billion, or 8.7 per cent, largely reflecting increases in pension and other future benefit expenses based on the Government's latest actuarial valuations, and operating expenses of National Defence.

Public debt charges decreased by $8 million, or 0.4 per cent.

April to November 2016

For the April to November 2016 period of the 2016–17 fiscal year, there was a budgetary deficit of $12.7 billion, compared to a surplus of $1.0 billion reported during the same period of 2015–16.

Revenues decreased by $1.1 billion, or 0.6 per cent, to $186.1 billion.

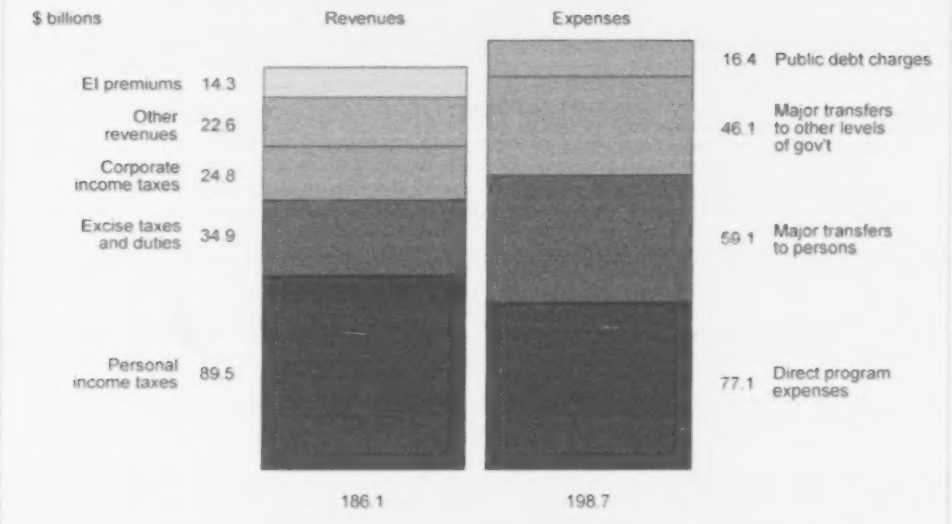
- Personal income tax revenues were up $18 million, or 0.0 per cent.
- Corporate income tax revenues were down $0.1 billion, or 0.5 per cent.
- Non-resident income tax revenues were up $0.1 billion, or 2.3 per cent.
- Excise taxes and duties were down $0.1 billion, or 0.1 per cent. Energy taxes and other excise taxes and duties each decreased by $0.1 billion. GST revenues increased by $17 million, or 0.1 per cent, and customs import duties increased by $45 million.
- EI premium revenues were up $0.2 billion, or 1.5 per cent, reflecting growth in earnings.
- Other revenues were down $1.3 billion, or 6.4 per cent. This decline largely reflects the $2.1-billion gain realized on the sale of the Government's remaining holdings of General Motors common shares in April 2015, offset in part by growth in other components in the current year, including interest and penalties revenues.

For the April to November 2016 period, program expenses were $182.3 billion, up $14.0 billion, or 8.3 per cent, from the same period the previous year.

- Major transfers to persons were up $4.8 billion, or 8.8 per cent. Elderly benefits increased by $1.7 billion, or 5.6 per cent, reflecting growth in the elderly population and changes in consumer prices, to which benefits are fully indexed. EI benefit payments increased by $0.8 billion, or 6.9 per cent. Children's benefits were up $2.3 billion, or 18.9 per cent, largely reflecting the new Canada Child Benefit.
- Major transfers to other levels of government were up $2.1 billion, or 4.9 per cent, largely reflecting legislated growth in the Canada Health Transfer, the Canada Social Transfer, Equalization transfers and transfers to the territories.
- Direct program expenses were up $7.1 billion, or 10.1 per cent. Within direct program expenses:
  - Transfer payments increased by $3.4 billion, or 17.0 per cent, reflecting increases across several departments, including increased transfers for claims, social housing, students, disaster assistance and infrastructure.
  - Other direct program expenses increased by $3.7 billion, or 7.3 per cent, largely reflecting increases in pension and other future benefit expenses based on the Government's latest actuarial valuations, operating expenses of National Defence, and Crown corporation expenses.

Public debt charges decreased by $1.4 billion, or 8.0 per cent, reflecting a lower average effective interest rate on the stock of interest-bearing debt.

Revenues and expenses (April to November 2016)



Note: Totals may not add due to rounding.

Financial requirement of $24.2 billion for April to November 2016

The budgetary balance is presented on an accrual basis of accounting, recording government revenues and expenses when they are earned or incurred, regardless of when the cash is received or paid. In contrast, the financial source/requirement measures the difference between cash coming in to the Government and cash going out. This measure is affected not only by changes in the budgetary balance but also by the cash source/requirement resulting from the Government's investing activities through its acquisition of capital assets and its loans, financial investments and advances, as well as from other activities, including payment of accounts payable and collection of accounts receivable, foreign exchange activities, and the amortization of its tangible capital assets. The difference between the budgetary balance and financial source/requirement is recorded in non-budgetary transactions.

With a budgetary deficit of $12.7 billion and a financial requirement of $11.5 billion from non-budgetary transactions, there was a financial requirement of $24.2 billion for the April to November 2016 period, compared to a financial requirement of $12.7 billion for the same period the previous year.

Net financing activities up $27.6 billion

The Government financed this financial requirement of $24.2 billion and increased cash balances by $3.4 billion by increasing unmatured debt by $27.6 billion. The increase in unmatured debt was achieved primarily through the issuance of marketable bonds and treasury bills.

The level of cash balances varies from month to month based on a number of factors including periodic large debt maturities, which can be quite volatile on a monthly basis. Cash balances at the end of November 2016 stood at $41.3 billion, down $6.2 billion from their level at the end of November 2015.

Table 1
Summary statement of transactions
$ millions

	November		April to November	
	2015	2016	2015–16	2016–17
Budgetary transactions				
Revenues	23,874	22,155	187,204	186,076
Expenses				
Program expenses	-21,540	-23,545	-168,301	-182,295
Public debt charges	-1,942	-1,934	-17,876	-16,445
Budgetary balance (deficit/surplus)	392	-3,324	1,027	-12,664
Non-budgetary transactions	2,079	1,494	-13,741	-11,502
Financial source/requirement	2,471	-1,830	-12,714	-24,166
Net change in financing activities	4,388	-162	32,217	27,596
Net change in cash balances	6,859	-1,992	19,503	3,430
Cash balance at end of period			47,453	41,274

Note: Positive numbers indicate a net source of funds. Negative numbers indicate a net requirement for funds.

Table 2
Revenues

	November			April to November		
	2015 ($ millions)	2016 ($ millions)	Change (%)	2015–16 ($ millions)	2016–17 ($ millions)	Change (%)
Tax revenues						
Income taxes						
Personal income tax	12,227	10,952	-10.4	89,460	89,478	0.0
Corporate income tax	3,615	3,118	-13.7	24,963	24,826	-0.5
Non-resident income tax	491	519	5.7	3,929	4,018	2.3
Total income tax	16,333	14,589	-10.7	118,352	118,322	0.0
Excise taxes and duties						
Goods and Services Tax	3,036	2,967	-2.3	23,439	23,456	0.1
Energy taxes	468	503	7.5	3,803	3,745	-1.5
Customs import duties	429	484	12.8	3,619	3,664	1.2
Other excise taxes and duties	473	536	13.3	4,113	4,057	-1.4
Total excise taxes and duties	4,406	4,490	1.9	34,974	34,922	-0.1
Total tax revenues	20,739	19,079	-8.0	153,326	153,244	-0.1
Employment Insurance premiums	1,070	1,079	0.8	14,047	14,261	1.5
Other revenues	2,065	1,997	-3.3	19,831	18,571	-6.4
Total revenues	23,874	22,155	-7.2	187,204	186,076	-0.6

Note: Totals may not add due to rounding.

Table 3
Expenses

	November			April to November		
	2015 ($ millions)	2016 ($ millions)	Change (%)	2015–16 ($ millions)	2016–17 ($ millions)	Change (%)
Major transfers to persons						
Elderly benefits	3,852	4,081	5.9	30,087	31,775	5.6
Employment Insurance benefits	1,638	1,509	-7.9	12,274	13,116	6.9
Children's benefits	1,520	1,968	29.5	11,978	14,242	18.9
Total	7,010	7,558	7.8	54,339	59,133	8.8
Major transfers to other levels of government						
Support for health and other social programs						
Canada Health Transfer	2,836	3,006	6.0	22,683	24,045	6.0
Canada Social Transfer	1,080	1,112	3.0	8,639	8,899	3.0
Total	3,916	4,118	5.2	31,322	32,944	5.2
Fiscal arrangements and other transfers	1,687	1,731	2.6	14,172	14,610	3.1
Canada's cities and communities	246	250	1.6	1,597	1,700	6.4
Quebec Abatement	-395	-398	0.8	-3,165	-3,183	0.6
Total	5,454	5,701	4.5	43,926	46,071	4.9
Direct program expenses						
Transfer payments						
Agriculture and Agri-Food Canada	198	92	-53.5	803	540	-32.8
Employment and Social Development Canada	570	594	4.2	3,603	4,127	14.5
Global Affairs Canada	194	477	145.9	1,646	1,928	17.1
Health Canada	245	247	0.8	2,018	2,149	6.5
Indigenous and Northern Affairs Canada	449	597	33.0	4,224	5,358	26.8
Innovation, Science and Economic Development Canada	169	328	94.1	1,552	2,088	34.5
Other	642	765	19.2	5,934	6,962	17.3

Total	2,467	3,100	25.7	19,780	23,152	17.0
Other direct program expenses						
Crown corporations	716	802	12.0	5,449	6,152	12.9
National Defence	2,037	2,234	9.7	14,765	15,844	7.3
All other departments and agencies	3,856	4,150	7.6	30,042	31,943	6.3
Total other direct program expenses	6,609	7,186	8.7	50,256	53,939	7.3
Total direct program expenses	9,076	10,286	13.3	70,036	77,091	10.1
Total program expenses	21,540	23,545	9.3	168,301	182,295	8.3
Public debt charges	1,942	1,934	-0.4	17,876	16,445	-8.0
Total expenses	23,482	25,479	8.5	186,177	198,740	6.7

Note: Totals may not add due to rounding.

Table 4
The budgetary balance and financial source/requirement
$ millions

	November		April to November	
	2015	**2016**	**2015–16**	**2016–17**
Budgetary balance (deficit/surplus)	392	-3,324	1,027	-12,664
Non-budgetary transactions				
Capital investment activities	-372	-376	-2,682	-2,548
Other investing activities	-571	-629	-4,345	-6,874
Pension and other accounts	287	227	3,166	4,356
Other activities				
Accounts payable, receivables, accruals and allowances	3,491	2,921	-6,265	-1,956
Foreign exchange activities	-1,107	-934	-6,523	-7,042
Amortization of tangible capital assets	351	285	2,908	2,562
Total other activities	2,735	2,272	-9,880	-6,436
Total non-budgetary transactions	2,079	1,494	-13,741	-11,502
Financial source/requirement	2,471	-1,830	-12,714	-24,166

Note: Totals may not add due to rounding.

Table 5
Financial source/requirement and net financing activities
$ millions

	November		April to November	
	2015	2016	2015–16	2016–17
Financial source/requirement	2,471	-1,830	-12,714	-24,166
Net increase (+)/decrease (-) in financing activities				
Unmatured debt transactions				
Canadian currency borrowings				
Marketable bonds	-2,025	1,349	13,485	21,610
Treasury bills	6,700	-1,300	13,500	4,300
Retail debt	-918	-511	-1,044	-332
Other	0	0	0	0
Total	3,757	-462	25,941	25,578
Foreign currency borrowings	-148	595	2,955	1,295
Total	3,609	133	28,896	26,873
Cross-currency swap revaluation	678	-431	2,979	197
Unamortized discounts and premiums on market debt	117	190	486	736
Obligations related to capital leases and other unmatured debt	-16	-54	-144	-210
Net change in financing activities	4,388	-162	32,217	27,596
Change in cash balance	6,859	-1,992	19,503	3,430

Note: Totals may not add due to rounding.

Table 6
Condensed statement of assets and liabilities
$ millions

	March 31, 2016	November 30, 2016	Change
Liabilities			
Accounts payable and accrued liabilities	127,853	122,144	-5,709
Interest-bearing debt			
Unmatured debt			
Payable in Canadian currency			
Marketable bonds	504,068	525,678	21,610
Treasury bills	138,100	142,400	4,300
Retail debt	5,076	4,744	-332
Subtotal	647,244	672,822	25,578
Payable in foreign currencies	22,482	23,777	1,295
Cross-currency swap revaluation	8,391	8,588	197
Unamortized discounts and premiums on market debt	5,047	5,783	736
Obligations related to capital leases and other unmatured debt	5,047	4,837	-210
Total unmatured debt	688,211	715,807	27,596
Pension and other liabilities			
Public sector pensions	152,227	151,745	-482
Other employee and veteran future benefits	85,681	90,825	5,144
Other liabilities	5,602	5,296	-306
Total pension and other liabilities	243,510	247,866	4,356
Total interest-bearing debt	931,721	963,673	31,952
Total liabilities	1,059,574	1,085,817	26,243
Financial assets			
Cash and accounts receivable	154,688	154,365	-323

Foreign exchange accounts	93,539	100,581	7,042
Loans, investments, and advances (net of allowances)[1]	115,957	121,622	5,665
Public sector pension assets	1,639	1,639	0
Total financial assets	365,823	378,207	12,384
Net debt	693,751	707,610	13,859
Non-financial assets	77,765	77,751	-14
Federal debt (accumulated deficit)	615,986	629,859	13,873

Note: Totals may not add due to rounding.

[1] November 30, 2016 amount includes $1.2 billion in other comprehensive losses from enterprise Crown corporations and other government business enterprises for the April to November 2016 period.

Note: Unless otherwise noted, changes in financial results are presented on a year-over-year basis.

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